



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject: ***Employee Reimbursements***

Issued: 12/22/10

Manual Section(s): N/A

Effective: 01/01/11

Supersede(s): N/A

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TO: Technical Bulletin Administrators
Payroll Personnel
All Agencies

FROM: D. Clark Partridge
State Comptroller

AUTHORITY

A.R.S. § 35-101	Definitions
A.R.S. § 41-703	Duties of director
A.R.S. § 41-722	Powers and duties relating to finance
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A.R.S. § 41-761	Personnel administration
A.R.S. § 41-763	Powers and duties of the director relating to personnel

DEFINITIONS

Accounting authorization type: A category, identified by a numeric code and recorded on a GAO-3, of authorities granted to an individual by an agency head to perform certain accounting functions.

AFIS: Arizona Financial Information System; the principal automated system for accounting and financial reporting of the State.

Agency: Any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona State Government. In contexts that are directive in nature, the use of the term “agency” may imply that employee or those employees within the organization—such as the agency head, the CFO, etc.—responsible for carrying out the procedures under consideration.

Authorized financial reporting system: Any method of initially recording receipts, revenues, expenditures, expenses, etc. approved for use by any agency. AFIS is the State’s principle, but not only, authorized financial reporting system.

Authorized payroll system: Any method of recording and reporting upon employee compensation, withheld taxes, other deductions, etc. approved for use by any agency. HRIS is the State’s principle, but not only, authorized payroll system.

Central Travel Account: A State liability travel account number (not a physical card), provided through State contract to State agencies which may be used to purchase airfare, hotel lodging (room rate, taxes and surcharges only), car rental, and conference and training registration fees

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for travel on official State business. The Central Travel Account may also be referred to as the “ghost card.”

COBJ: Comptroller object; in governmental accounting, a code used to classify revenues and expenditures.

Corporate Travel Card: The State contracted employee liability credit card provided to State employees that may be used to purchase airfare (if permitted by internal agency policies), lodging, car rental, other transportation charges, other miscellaneous travel charges, meals and incidental expenses in connection with travel on official State business.

Educational assistance: A reimbursement made to an employee for educational expenses incurred in pursuit of a degree or specialized training.

Employee: Any individual being paid compensation under the authority of any payroll system of the Government of the State of Arizona.

Excludable amount: As established by the IRS, the annual amount of employer-provided educational assistance benefits that may be excluded from an individual’s taxable income. At this time, the excludable amount is five thousand two hundred fifty dollars (\$5,250).

GAO: General Accounting Office; a division of the Arizona Department of Administration.

GAO-3: “Signature Authorization Form.” A form used to establish or revoke an individual’s authority to perform certain accounting functions.

GAO-502: “Employee Expense Reimbursement Form.” A form to be used by employees claiming reimbursements of non-travel-related expenses.

GAO-503EZ: “Travel Claim Form.” A form used by employees when claiming reimbursements of travel-related expenses.

GAO-503AEZ: “Travel Claim Continuation Form.” A form used by employees to enter travel related information not contained on a GAO-503EZ.

GAO-509A-HRIS: “Request for Travel Advance – HRIS.” A form used to request a travel advance and to record the recovery and distribution of such advances.

HRIS: Human Resource Information Solution; the principal automated system for payroll and personnel administration of the State.

IRS: Internal Revenue Service; the division within the U.S. Department of the Treasury responsible for the administration and collection of Federal income taxes and the collection of

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Social Security and Medicare taxes on behalf of, respectively, the Social Security Administration and the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services.

Job role: In HRIS, a collection of authorities and limitations assigned to an individual. An individual's job role empowers the individual to perform those functions and view the data appropriate to the individual's position and prevents the individual from performing functions or viewing data not appropriate to the individual's position.

P-Card: A card provided through State contract to State employees, State organizations, or State departments for the purpose of conducting purchase or payment activities for a valid public purpose.

Pay code: An identifier used in HRIS to specify appropriate treatment and reporting of compensation.

Practicable: Capable of being done or put into practice with the available means. Practicability holds one to a higher standard of performance than mere practicality. Something is practicable if it can be reasonably achieved, even if its achievement is inconvenient or inconsistent with habit.

Qualified program: An educational reimbursement program established and maintained by a State agency that meets the criteria established by the Internal Revenue Service and discussed in *IRS Publications 15-B and 970* (www.irs.gov/publications).

State Comptroller: A chief financial officer of the State of Arizona and principal executive of the GAO.

Travel Card: A term that includes **both** the Corporate Travel Card and the Central Travel Account.

Working condition fringe benefit: A benefit which, if an employee were to incur it, would qualify for itemization as an unreimbursed employee expense—as described in *IRS Publication 529, Miscellaneous Deductions* (www.irs.gov/publications)—on the employee's Federal income tax return. Under this definition, educational costs qualify for itemization if the education either 1) improves or maintains skills required by the current job or 2) is required to maintain one's salary, status or position. Even if one or both of the preceding conditions are true, educational expenses are not deductible if the education under consideration is either 1) needed to meet the minimum requirements to qualify for one's current occupation or 2) is part of a program that may qualify one for a new trade or business.

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INTRODUCTION

This technical bulletin establishes certain policies that are being adopted in order to provide better controls over spending, enhanced accountability and transparency, augmented use of the State's P-Card and the growth of consequent incentives, as well as increased compliance with taxing authorities.

This technical bulletin also limits the types of expenditures for which employees may be reimbursed, and expands the number of HRIS pay codes that can be used to record allowable reimbursements.

POLICIES & PROCEDURES

1. This policy applies to all payments made to employees on or after January 1, 2011.
2. Except as otherwise provided, to the extent practicable, the use of employee reimbursements should be avoided in favor of direct vendor payment (by warrant or electronic payment) or payment by P-Card or Travel Card.
3. Reimbursements of amounts less than or equal to twenty-five dollars (\$25) may be made from revolving funds or petty cash.
4. Employee reimbursements, like other expenditures of State monies, should only be made within a framework of appropriate internal controls. Such internal controls include, but are not limited to, segregation of duties, review of claimed reimbursements and their supporting documents, and determination that the contemplated expenditures are for official State business and do not exceed available monies and spending authority.
5. To the extent practicable, employee reimbursements are to be made exclusively through an authorized payroll system.
 - a. For the majority of State employees not employed by one of the State's universities, the applicable authorized payroll system is HRIS. For that reason, this technical bulletin and Form GAO-502, "Employee Expense Reimbursement Form," posted on the GAO Website (<http://www.gao.az.gov/onlineforms/default.asp>), will deal with the pay codes used in HRIS and the AFIS COBJs to which expenditures using those pay codes will be posted in AFIS.
 - b. In those situations in which an authorized payroll system other than HRIS or an authorized financial reporting system is in use, pay codes and COBJs similar to those set forth in this technical bulletin and the Form GAO-502 are to be employed.

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- c. Agencies using an authorized payroll system other than HRIS or an authorized financial reporting system other than AFIS may produce and use their own equivalents of the Form GAO-502.
- d. Employee claims for reimbursement and the approval of such reimbursements should, to the extent practicable, be made using the Form GAO-502 or its equivalent.
- 6. To the extent practicable, only the types of expenditures set forth on the Form GAO-502, are to be made as employee reimbursements.
- 7. To the extent practicable, all employee reimbursements are to use the pay codes set forth on the Form GAO-502 or their equivalent in another authorized payroll system.
- 8. The amounts from the Form GAO-502 should be entered into the HRIS ZR35.2 Screen, entitled "Employee Reimbursements Entry," using the appropriate pay code.
 - a. To accommodate employee reimbursement processing, two job roles have been created in HRIS:
 - i. Employee Reimbursement Specialist, and
 - ii. Employee Reimbursement Approver.
 - b. These two new job roles are expansions of what were the job roles of Travel Reimbursement Specialist and Travel Reimbursement Approver, which have been discontinued.
 - c. To acquire the job role of an Employee Reimbursement Specialist or Approver, an individual must:
 - i. Demonstrate appropriate knowledge of HRIS reimbursement operations by:
 - 1) Either, currently possessing the job role of Travel Reimbursement Specialist or Approver,
 - 2) Or, successfully completing the HRIS training for Employee Reimbursement Specialist or Approver.
 - ii. And, be granted appropriate access by his or her agency's security administrator.
 - d. HRIS training for employee reimbursements will be updated to reflect the expanded job roles; those previously holding the job roles of Travel Reimbursement Specialist or Approver may, but are not required to, complete the updated training.

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9. Accounting Authorization Type 125 has been renamed “Employee Expense Reimbursements including Travel.”
 - a. Accounting Authorization Type 125, which previously dealt only with travel reimbursements, has been expanded to include the approval of employee reimbursement claims of all kinds (GAO-502, GAO-503EZ and GAO-503AEZ).
 - b. Those who currently possess approval authority under Accounting Authorization Type 125 will continue to possess it; their authority will, consistent with the job role of Employee Reimbursement Specialist, be automatically extended to approve all authorized employee reimbursements.
 - c. Agencies need not update their GAO-3s currently on file with the GAO.
10. Whenever practicable, a P-Card should be used to purchase goods and a Travel Card used for travel purposes. Except as otherwise provided, to the extent practicable, neither employee reimbursements nor revolving fund or petty cash disbursements should be used for office supplies, postage, conference fees and registration, professional dues and publications, equipment acquisitions, professional services, or facility and equipment rentals.
11. If expenses are recorded as “other miscellaneous operating expenses” using pay code 598, which are, in turn, posted to COBJ 7599, agencies must determine whether such expenditures are individually or collectively financially significant and require to be transferred by journal entry to a more appropriately descriptive comptroller object. To make such a determination, agencies should take into account transparency, materiality and the cost of additional processing considered compared to the benefit derived from more detailed and explicit financial reporting.
12. Approved educational assistance must, without exception, be paid as an employee reimbursement through an authorized payroll system using the appropriate pay code.
 - a. Initially, all reimbursements using pay codes 659 (Educational Assistance Program), 660 (Educational Assistance Other Non-Tax) and 661 (Educational Assistance Other Taxable) will be posted in AFIS using COBJ 7452 (Employee Tuition Reimbursement – Undergraduate and Other). If the reimbursement relates to graduate level education, the agency must transfer the expenditure by journal entry to COBJ 7451 (Employee Tuition Reimbursement – Graduate).
 - b. Educational assistance may, depending upon a number of conditions, be taxable or non-taxable and should be recorded using the appropriate pay code. In general, educational assistance falls into one of the following categories:

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- i. The educational assistance qualifies as a working condition fringe benefit. Such reimbursements are non-taxable and are to be recorded using pay code 660 (Educational Assistance Other Non-Tax).
 - ii. The educational assistance does not qualify as a working condition fringe benefit and its reimbursements are administered as part of a qualified program. The reimbursements are to be made using pay code 659 (Educational Assistance Program).
 - 1) That portion of calendar-year-to-date educational assistance reimbursements that falls under the then-current monetary threshold to qualify as an excludable amount will be treated as non-taxable.
 - 2) That portion of calendar-year-to-date educational assistance reimbursements that exceeds the then-current monetary threshold to qualify as an excludable amount will be reported and treated as taxable income.
 - iii. Other educational assistance reimbursements will be reported and treated as taxable income and should be recorded using pay code 661 (Educational Assistance Taxable).
13. Any reimbursement for authorized employee meals must, without exception, be paid as a travel reimbursement through an authorized payroll system using the appropriate pay code.
14. Employees claims for reimbursement
 - a. should be filed within the later of:
 - i. Thirty (30) days of incurrence of the expense qualifying for reimbursement, or
 - ii. Thirty (30) days of satisfying the requirements for an expense reimbursement (e.g., the posting of grades related to a successfully completed class).
 - b. must be filed not later than one hundred eighty (180) days of incurrence of the expense qualifying for reimbursement.
15. When traveling for the State, employees are expected to use the Travel Card or be reimbursed using a travel claim. Travel advances to employees are strongly discouraged, should only be used under the most unusual of circumstances when other options are not possible, and then only with the approval of the employee's agency head or his or her designee.
 - a. Travel advances as well as the recovery of and accounting for travel advances should be effected through HRIS.

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- b. Travel advances are to be initially recorded on Form GAO-509A-HRIS and entered into HRIS using Screen ZR80.1.
 - c. Recovery of travel advances are to be entered into HRIS using Screen ZR35.2.
- 16. Employee uniform expenses, whether incurred as a fixed, periodic allowance or made as a reimbursement are to be paid through HRIS.
 - a. All such expenses will post to COBJ 7311 in AFIS.
 - i. Those paid as reimbursements are to be paid using pay code 600.
 - ii. Those paid by way of a fixed, periodic allowance are to be paid using pay code 601.
 - b. As of the effective date hereof, the use of COBJ 6053, Uniform Allowances, is to be discontinued. .
 - c. No adjusting or correcting entries transferring uniform costs paid before January 1, 2011, from COBJ 6053 to COBJ 7311 need be made.
- 17. The use of the P-Card by State agencies is strongly encouraged:
 - a. The use of the P-Card is more efficient, hence less costly, than issuing a warrant or computing and effecting a revolving fund replenishment.
 - b. Increased use of the P-Card results in increased incentives paid to the State by the issuer of the P-Card.
 - c. The processing of employee reimbursements through an authorized payroll system may be may be less efficient, hence more costly, than issuing the employee a P-Card.
- 18. It is important to use the Travel Card, especially on the road:
 - a. It is considerably safer to carry the Corporate Travel Card than it is to carry cash.
 - b. The use of the Travel Card provides better documentation—documentation that can be replaced—than does the use of cash.
 - c. The use of the Travel card eliminates the need for travel advances. Travel advances are costly to process and result in an undesirable, accelerated expenditure of State monies.
 - d. The use of the Travel Card, if payment is made directly to the Card issuer, may result in a decreased need for processing employee reimbursements.

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- e. The use of the Central Travel Account may result in increased incentives paid to the State by the issuer of the Central Travel Account.
19. Exceptions to the policies and procedures set forth in this technical bulletin require the prior written approval of the State Comptroller.

ON-LINE AVAILABILITY

Copies of all Technical Bulletins and many GAO Forms are available for viewing and downloading from the General Accounting Office Website located at:

<http://www.gao.az.gov>

AREAS IMPACTED

All State agencies.

CONTACTS

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

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